

Bush seeks to quell election-year budget rebellion.

By Adam Entous

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WASHINGTON, Jan 30 (Reuters) - President George W. **Bush** sought to quell a rebellion from his fiscally conservative base with a pledge on Friday to still halve the deficit over five years even as estimates showed his new prescription drug plan would cost far more than expected.

Bush faces the prospect of an election-year fight with Republican conservatives over the cost of implementing new Medicare reforms. He may also face challenges from moderates in his own party over proposed cutbacks in domestic spending.

The fiscal **2005 budget Bush** will send to Congress on Monday will call for limiting spending growth outside of defense and homeland security to 0.5 percent - well below the rate of inflation.

But his budget will also acknowledge that adding prescription drug coverage to Medicare would cost at least \$530 billion over 10 years - 33 percent more than the \$400 billion Congress and the administration had promised when the law was approved less than two months ago.

The higher estimate cast doubt on **Bush's** plans to cut the deficit in half by 2009. Many budget experts - including some of **Bush's** allies in Congress - were already skeptical. The White House expects this year's budget deficit to reach a record \$521 billion - a potential election-year liability.

But **Bush** insisted: "The budget we'll submit on Monday does fulfill that promise that will reduce the deficit in half."

Traditional allies of the Republican administration, many fiscally conservative opposed the Medicare plan, in part because of the huge long-term cost of providing drugs to seniors as the baby boom generation retires.

They seized on the White House's new cost estimate as vindication, and warned that **Bush** could face an election-year backlash over spending.

"The real question is what did the president know and when did he know it," said Stephen Moore, president of the Club for Growth, a politically powerful conservative group.

He called the new cost estimate a "financial scandal."

The White House denied it intentionally underestimated the cost of the Medicare law to pick up votes during the congressional debate.

Bush told reporters he learned about the new estimate two weeks ago, and asserted that increased competition would eventually hold down the cost of Medicare.

While he said his **2005 budget** would call for cutting the deficit in half over five years, **Bush** put the onus on the Republican-controlled Congress to hold the line on spending.

"Congress is now going to have to work with us to make sure that we set priorities and are fiscally wise with the taxpayers' money. I'm confident they can do that, if they're willing to make tough choices," **Bush** told reporters.

Officials said the discrepancy between the drug cost estimates reflected long-standing differences in assumptions the White House and Congress make about the program, particularly how many people will choose to participate and how much it will help to reduce drug costs.

But conservatives were not appeased.

They said **Bush** has overseen a nearly 25 percent surge in spending over the last three years - the fastest pace since the Johnson administration of the mid-1960s.

"Pardon me if I sound cynical," said William Niskanen, the chairman of the libertarian Cato Institute who advised former President Ronald Reagan.

Republican lawmakers who oversee the spending process could also rebel.

They warned this week that **Bush**'s plan to freeze some federal spending could mean painful cuts in programs ranging from veterans' health to medical research.